

V

CO-OPERATIVES AND/OR BUSINESSES

DAVID GRIFFITHS
CDP UNIT
MINISTRY OF EMPLOYMENT AND
TRAINING

14 SEPTEMBER, 1982

The Co-operative Development Program has the twofold mutually compatible goals of establishing co-operatives and business enterprises.

It is useful, therefore, to consider the compatibility of the co-operative and business goals and their relative importance.

In theory, a co-operative is formed when a situation of mutuality exists. A group of people have a common need (e.g., distribution and selling of produce, *child care*, *cheap food* and employment) and unite together (a co-operative) to meet that need.

Mutuality is not the only factor in the establishment of co-operatives. Co-operatives may also be formed by people who are *simply* concerned about unemployment and the unemployed. There is an element of mutuality in this concern, however, in as much as the problem of unemployment and the situation of the unemployed is considered harmful to a local community and, therefore, it is in the perceived interest of that *community* to do something.

An element does not provide or guarantee the mutuality that is the essence of a viable co-operative - common need, interest and commitment. The problem remains that "they" (concerned professionals) are trying to do something for "them" (the unemployed), and at stake is the professionals prestige and status and the unemployed's survival.

There are two broad groupings of co-operatives in the *Co-operative Development Program*:

Worker-based Co-operatives.

Community-based Co-operatives.

A worker - based co-operative is a co-operative in which the workers dominate ownership and/or control of the co-operative. The workers in the co-operative either hold the most shares or constitute a majority of shareholders and/or, although, outnumbered in shares and as shareholders, they have been delegated most decision-making powers. In community-based co-operatives community members are the dominant shareholders and exercise ownership and control. Workers may or may not be shareholders and, therefore, may or may not participate in ownership and/or control.

Examples of community-based co-operatives are Goldfields Community Radio, Open Channel and Hodja Educational Resources CO-operative. Examples of worker-based co-operatives are Brunswick Italo-Australia, Wanderfood, Correct Line Graphics and Public Images. Two community-based co-operatives, Maryborough Bootstrap and Loch Ard, have recently undergone fundamental organisational changes with workers now exercising substantial control over decision-making. Both co-operatives have five workers but 278 members in the case of Loch Ard and over 60 members in the case of Maryborough Bootstrap.

Both community-based and worker-based co-operatives have experienced conceptual, organisational and political difficulties because of their sponsor history of community concern about unemployment and the unemployed and because of their sometimes commitment to worker participation and/or control. At the moment it is not possible to establish a worker owned and controlled co-operative in which only the workers of a co-operative are its members and directors. Under the Co-operation Act 1981 however, it is illegal to have more than one employee on the Board of co-operatives. The Wanderfood group is incorporating as a company to ensure worker ownership and control. Action is being taken, however, to make appropriate amendments to the *Co-operation Act 1981*. Working with groups funded under the Co-operative Development Program, the Co-operative Federation of Victoria is proposing to the Government that the Act be amended to include a new form of society - industrial societies which could be either community-based or worker-based. With industrial societies there will be no restrictions placed on the numbers of workers on the Boards.

The advantage of a co-operative structure over other business structures lies in its democratic potential;

One vote per person irrespective of the number of shareholders.

A shareholding limit of 20% or less for any one shareholder.

Limited interest on capital invested in the co-operative.

It may be assumed that there is an inherent conflict between a co-operative enterprise and a business enterprise. The assumption seems to be that a co-operative is inherently desirable but that a business is an *undesirable* necessity. The assumption also seems to be that a co-operative is democratic whereas a business is undemocratic.

There is a tension between being a co-operative and a business. There is the ongoing difficulty of establishing a viable business when the participants are inexperienced and unskilled. Establishing and developing a business is aggravated by the democratic (co-operative) nature of a business enterprise. Disputes arise concerning the perceived choice between co-operative and business interests, between democratic and business decision-making and in the selection of workers with co-operative commitments and/or business skills. Tension also exists between the few committed co-operators and other co-operative participants who see the co-operatives as transitory organisations - as a mid step between something to something else. The business potential of co-operatives are seen to be the antithesis of social change and yet co-operatives address economic (workplace and work) *change*.

The point about the Co-operative Development Program is to establish the possibilities of co-operative business enterprises which generate long-term employment not just co-operatives nor just business enterprises not just long-term *employment*. The program is concerned primarily with economic rather than political and social goals and strategies. The program aims to establish the possibilities of and difficulties in new, alternative economic structures, directions and choices.

Fundamental to political change in the *possibility of* economic change in the *ownership and control of workplaces and work* - the transfer and transformation of decision - making about what, when and how products and services are produced and provided.

Co-operative practitioners need to realise and accept that there are certain business skills necessary for the operation of a co-operative business and that these skills are tools for economic objectives which, in turn, serve political objectives. This is not to say, however, there may *not* be contradictions between economic and political objectives.

Concern about the business requirements of the Program as constraining co-operative objectives introduces an unnecessary conceptual separation of possible complementarities, co-operative business enterprises. This concern may reflect a rejection of Program objectives and funding conditions which were the basis of the provision of funding. In seeking and accepting funding groups accepted the Program objectives and funding conditions - theoretically and contractually if not in reality. It is too early in the Program to conclude the *irreconcilability* of co-operative and business objectives.

The separation of co-operative and business *commitments can be seen* in the argument that Program objectives and funding conditions serve exclusive business assumptions. But, the Program's objectives and funding conditions meet both co-operative and business objectives. The requirements that co-operatives prepare business plans, review these plans on a quarterly basis, provide monthly balance sheets, cash flow and profit and loss statements equally serve co-operative and business ends.

Basic to the opportunity to participate in a co-operative is the accessibility of information - both available and understandable. Without information it is difficult, if not impossible, to participate in a co-operative relevantly and effectively.

One co-operative in the Program, for instance, relied on its co-ordinator to inform workers and directors as to the business functioning of the co-operative. While the co-ordinator did have communication skills, he was unable to apply these in an organisational context and did not obtain and provide the relevant business informa-

tion required by workers and directors as the prerequisite for business decision-making. After six months of communication *laissez-faire* directors were surprised to learn that the co-operative's sales had declined on previous years performances and the workers fears about *mismanagement* were confirmed. This realisation was brought about by the preparation of a financial statement assessing the co-operative's situation. The same co-operative had submitted a business plan for funding which had never been formally endorsed by the Board of Directors. Individual copies of the business plan were not even possessed by the directors and workers. More recently in preparing a six monthly review of the co-operative's performance workers were actively involved in the assessment process and, thereby, gained understanding and insight into the operations of a co-operative business.

Another co-operative in the Program was funded in January, 1982. The proposal funded was for a worker-based co-operative yet the proposal itself was not prepared by the proposed workers in the co-operative but rather by supporters of the workers. This point became *increasingly significant* as the co-operative developed and reached a crisis point caused by organisational and managerial inefficiencies. The co-operative had to undertake a serious review and introduce necessary organisational changes to justify continued funding. This was done but this time the workers in the co-operative were involved in the review process and, given the experience of establishing and developing a co-operative, were more able to understand, participate and accept the review process.

If participation is regarded as important to the functioning of a co-operative, then, accurate, comprehensive and comprehensible information and documentation is an essential prerequisite to this participation. Business plans provide the basis for establishing a co-operative's business and organisational objectives and ways for attaining these objectives. A written, circulated, available and debated business plan enables workers, directors and members to agree on objectives and methods. The discussion, preparation, completion and circulation of quarterly reviews of progress enables ongoing re-assessments of these objectives. The written, circulated and discussed financial reports provide a basis for regularly and accurately determining the co-operative's profitability (profit and loss statements) and liquidity (cash flow statements).

There are three arguments against intensive and extensive information and documentation:

- . It distracts resources from running a business to documenting the business.
- . It reflects an elitist and dominant literary culture.
- . It is a requirement beyond the scale of small co-operative business enterprises.

The distraction resources argument assumes that the information and documentation is unnecessary for a functioning business. While many business enterprises function without sophisticated information systems, accessible information is critical to knowledge, understanding, acceptance and participation. Furthermore, funding is available for the information and documentation requirements of co-operative business enterprises. The argument that information and documentation requirements reflect an elitist and dominant literary cultures does identify a real problem. The problem, however, needs to be confronted rather than avoided. The option of, instead, relying on oral communication is dependent on an egalitarian commitment and understanding and becomes decreasingly effective with the increasing size, complexity and demands of a co-operative business. What needs to be done, therefore, is to develop an imaginative, innovative and democratic communications system within co-operatives which relies on oral and *literary* communication i.e., the development of an appropriate co-operative education and training program. Information and documentation could facilitate participation and control. The information requirements are normally beyond the scale of small business enterprises but, then, it is expected that the scale of the business enterprises will grow and that because they are co-operative rather than just small business enterprises there is a commitment towards participation and, therefore, information.

In conclusion, therefore, the point about co-operative business enterprises is that they are both *co-operatives and business enterprises* and that they provide a structural basis for economic change without which political change is, at least, ambivalent and arguable.